Secondary Pensions *coming in 2023*

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> *“BWCI offers a range of services to help employers meet their legal requirements under secondary pensions.”*

What we know so far

It has been confirmed that the implementation date for secondary pensions has been delayed a year. Consequently, this significant change to Guernsey’s pension landscape will now be phased in from 1 January 2023. Employees will be enrolled in phases over 15 months, depending on the size of their employer (in terms of number of employees), starting with the largest employers first.

This means that, at some point between January 2023 and March 2024, all Guernsey employers will need to automatically enrol “eligible employees” into a “qualifying pension scheme”. This could be either the employer’s own scheme, a pension product (such as BWCI’s Blue Riband range), or the new default States’ scheme “Your Island Pension”.

Employers will be required to contribute towards their employees’ retirement savings, unless an employee has chosen to opt out. The long-term joint employer/employee contribution rate is 10% of earnings[1], with a minimum rate of 3.5% of earnings from the employer.

The structure of secondary pensions is expected to be the same as that approved by the States of Guernsey in February 2020. The table provides a brief summary.

Next steps

BWCI offers a range of services to help employers meet their legal requirements under secondary pensions.

Employers with pension arrangements

Some employers are already well-advanced in reviewing their existing pension arrangements and considering if they need to make any changes. However, others will have been waiting to have the commencement date confirmed or for the full legislation to be available, before taking any action.

Employers without pension arrangements

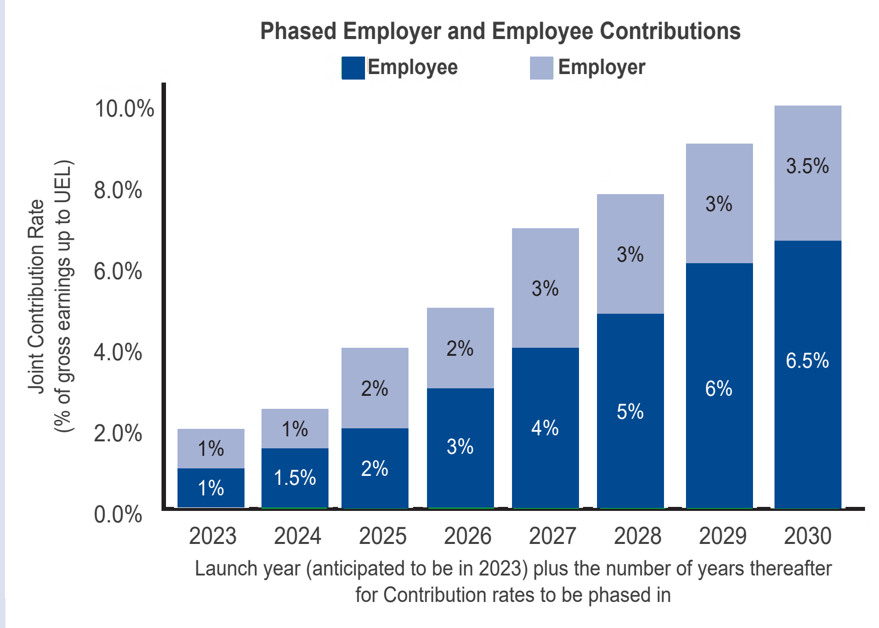
We have seen a large number of employers who do not currently provide a pension scheme, or who pay cash in lieu of pension contributions, now setting up a corporate scheme. Often this is in conjunction with their annual pay review, or when setting next year’s budget. There is also now a greater focus on the level of pension provision from prospective employees in the recruitment process.

Help from BWCI

If you require any assistance in the lead up to the implementation of Secondary Pensions, BWCI can offer a range of services tailored to the individual requirements of different employers:

- A complete local pension solution through one of our existing qualifying pension products.
- Flexible solutions for all companies; large, small, commercial and finance sector.
- Bespoke solutions for companies with complex needs.
- Advice on how to make your existing pension arrangements meet secondary pensions requirements.

If you have any questions, or would like to discuss any of the above, please contact us.

	Key Features of Guernsey’s Secondary Pensions
Who will be affected?	All employees aged between 16 and State Pension Age who earn enough to pay Social Security contributions, unless they are covered by an exemption.
Who will be enrolled first?	Largest employers will be enrolled first. These are those with 25+ employees; smaller employees will be phased in over the following 15 months.
What flexibility is there to help with the administrative burden?	• Option to defer auto enrolment for up to 3 months • Students in full time education who are also working will be exempted • It will be possible to auto enrol employees in “batches”
What are the minimum contributions?	Initially the joint employee/employer contribution rate will be 2% of earnings (split 1% employee and 1% employer), rising gradually to 10% (6.5% employee and 3.5% employer) in 2030. Employers can opt to pay more than the minimum contribution rate, in which case the employee is able to pay less, provided the combined rate is not less than the minimum total contributions required.
How will the contributions be phased?	Contributions will be phased in over 7 years, as illustrated in the chart. 
What is expected to be a qualifying scheme?	• A scheme will need to be approved by the Revenue Service under section 150 or 157A of the Income Tax (Guernsey) Law, 1975. • Schemes would need to be based in one of Guernsey, Jersey, the Isle of Man or the UK • Qualifying Guernsey schemes will need to be regulated by the Guernsey Financial Services Commission

[1] The same earnings as those on which Social Security contributions are based

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